UNIVERSITY OF ILLINOIS
COLLEGE OF AGRICULTURE · COOPERATIVE EXTENSION SERVICE

FARMERS AND AGRICULTURE IN OUR ECONOMY

FARMING IS A MAJOR INDUSTRY

Agriculture is a big business in the United States. Cash receipts from the sale of farm products totaled $43 billion in 1967. Farmers spent $35 billion for farm equipment, supplies, and services. The investment in farming totaled about $250 billion:

Real estate	$180 billion
Machinery and equipment	26 billion
Livestock and poultry	19 billion
Crops, feed, and other items	25 billion
Total	$250 billion

Employment on farms ranged from 3.5 million in January to 6.0 million in July, and averaged 4.8 million for the year. As used here, farm employment is the number of farm operators, other family members who worked 15 or more hours during the survey week, and hired farm workers.

On the other side of this balance sheet was farm real estate debt of $25 billion, other debt of $24 billion, and owners' equities of about $201 billion. A substantial part of these equities is owned by landlords, since many farmers — particularly those with average and larger operations — rent land in order to obtain enough volume to have a profitable business.

ILLINOIS IS A LEADER IN AGRICULTURE

Illinois is a leading state in the agriculture of our nation. It ranks first in the production of both corn and soybeans, which have become the two top cash-producing crops in the United States, and seventh in wheat. It is first in total sales of field crops. Only California, with its large production of fruits and vegetables, produces more total crops for sale than does Illinois.

The state ranks second in swine production, fifth in cattle feeding, tenth in dairy production, and fourth in total sales of livestock, poultry, and their products.

Illinois is one of the "big four" states in total sales of farm products, following only California, Iowa, and Texas. In 1967 Illinois farmers received $2.8 billion from the sale of farm products.

Illinois was the leader in the development of the soybean crop and its utilization. It is still the leader in acreage, yield per acre, and total production.

In 1967 Illinois became the first state to attain an average yield of 100 bushels of corn an acre, and the first state to produce 1 billion bushels of corn — or any other crop.

Typical Illinois farms have assets between $100,000 and $250,000, compared with average assets for U.S. farms of about $75,000.

ILLINOIS HAS NATURAL ADVANTAGES

Productive Soils

The state of Illinois lies at the center of the world's most productive agricultural region. Its fields are fertile. They are more level than those of any other major agricultural state, and therefore are well adapted to the use of large-scale, efficient machinery for the planting, cultivating, and harvesting of crops. The soils are mostly dark loams, which readily absorb rainfall and hold the moisture for later use by growing crops.

Favorable Climate

The climate in Illinois is especially favorable for growing corn, soybeans, wheat, and other vital crops. The growing season is ample, ranging from 150 days in the north to 200 days in the south. Rainfall is near perfect — compared with that of most other areas. It averages 34 inches a year in the north and 40 inches in the south. More important, the precipitation is favorably distributed throughout the year. The largest amounts come during the main growing season from March through September.

ECONOMIC ADVANTAGES, TOO

Illinois farmers have an advantageous location for marketing their grains, livestock, and other farm products. The state is relatively close to big consuming centers of the East and the Great Lakes. Sources of farm equipment and supplies are also near at hand.

Railroad service in Illinois is unmatched anywhere. In relation to area, the state ranks first in railway mileage. Most of the east-west railways traverse or have major terminals in Illinois. Major north-south routes also provide vital service.

The state also has unequaled low-cost water transportation. It is bisected and almost surrounded by waterways that lead to ports in almost every foreign land. Ships of many nations now load corn, soybeans, and wheat at Chicago.

Interstate highways provide fast truck service for the delivery of livestock and meats to the great cities of the north, east, and south.

Shipments of sweet corn from Chicago to London by air may be the first step in opening many new markets for Illinois farm products.

U.S. FARMERS PRODUCE ABUNDANTLY

The farmers of our nation produce a great variety and quantity of food for our tables and raw materials for industry. Beef is the most valuable, with sales of cattle and calves bringing about $10 billion a year. Total production of beef is 20 billion pounds annually, which makes an average of 100 pounds a person, twice as much as 35 years ago.

Other major food items include 12 billion pounds of pork, 9 billion pounds of poultry, 70 billion eggs, and 55 billion quarts of milk for use as fluid milk, cream, ice cream, cheese, and other dairy products. Then there is wheat for bread and other bakery products, sugar, and dozens of kinds of vegetables, fruits, and nuts. Important nonfood products are cotton, wool, and tobacco.

The net return for this production is about $19 billion dollars annually, a little more than 3 percent of the personal income received by all the people of the United States. Of this amount, farm operators receive around $15 billion, hired workers $2½ billion, and nonoperating land owners $1½ billion.

The great productivity of our U.S. farms makes Americans the best-fed people in the world.

FARMERS BUY FROM INDUSTRY

U.S. farmers make large purchases of products and services from the rest of the economy. In 1967 such outlays included the following:

Tractors	$ 1,200,000,000
Trucks	500,000,000
Autos (farm share only)	600,000,000
Other machinery and equipment	2,500,000,000
New buildings and land improvement	1,200,000,000
Total purchases of capital items	**$ 6,000,000,000**
Building repairs and maintainence	700,000,000
Petroleum fuel and oil	1,600,000,000
Other motor vehicle operation	1,400,000,000
Repairs on other machinery	600,000,000
Feed purchased	6,500,000,000
Livestock purchased	3,600,000,000
Seed purchased	600,000,000
Fertilizer and lime	2,000,000,000
Hired labor	2,500,000,000
Interest paid	2,500,000,000
Property taxes	2,200,000,000
Rent to landlords	1,000,000,000
Other products and services	2,600,000,000
Total supplies and services	**$27,800,000,000**
Grand total	**$33,800,000,000**

FARMERS ARE EFFICIENT

For the most part, U.S. farmers are highly efficient. With an average labor force of less than 5 million, they produce most of the food and other agricultural products required by our more than 200 million people, and one-fifth more for export to people in foreign lands. This high level of productivity is not matched by the farmers of any other nation.

Our farmers have achieved high efficiency by adopting scientific practices and by using large amounts of capital inputs. Leading farmers adopt practices tested and recommended by research workers in agricultural colleges, the U.S. Department of Agriculture, and private business firms. Other farmers follow the community leaders.

Efficient farm operation requires large amounts and variety of machinery, equipment, fertilizers, and chemicals for the control of weeds, insects, and plant and animal diseases. These inputs make up more than half of the total resources that are used in farming. They are produced and supplied by thousands of industrial and commercial businesses with millions of employees. These contributions of industry to agriculture are unmatched in any other country.

FARMING IS HIGHLY COMPETITIVE

The farmers who produce most of our food and other agricultural products are engaged in a highly competitive business. There are more than 2½ million farms in the United States. About two-thirds of these are full-time farms and one-third are part-time and subsistence farms.

Farmers compete to rent or purchase land; they compete for farm equipment and supplies; and they compete for markets for their products.

U.S. farmers also compete with farmers in other lands. Each year they produce some $6 billion worth of soybeans, wheat, corn, and other products to be sold in foreign markets. At the same time our markets receive from foreign farms meats, sugar, fruits, vegetables, vegetable oils, tobacco, and other agricultural products valued at about $2½ billion.

Anyone is free to enter the business of farming in the United States. Every farmer is free to increase the size of his business — by obtaining more land, by increasing yields per acre, and by engaging in or expanding livestock and poultry enterprises. Corporations can, and do, compete with family farms in the production of every major farm product.

BIG FARMS

There have always been some big farms in the United States. George Washington, our first President, was a big farmer, as were many other leading citizens of the time. Jefferson favored small farms — owned and operated by one family. Hamilton was more favorable to large holdings. Large plantations were developed in the South, and cattle barons followed the frontier westward across Illinois and beyond.

Now most of the biggest farm operations are vegetable and fruit farms in Texas, Arizona, and the Pacific Coast states. There are also many "factory-type" livestock and poultry enterprises scattered throughout the nation.

In 1964, the latest agricultural census year, there were about 31,000 farms with sales of more than $100,000 each. Sales from all of these farms totaled about $8.5 billion, or 24 percent of all farm products sold.

About 111,000 farms had sales between $40,000 and $100,000. The combined sales from these farms were $6.5 billion, or 18 percent of all farm products. A typical farm with sales of $40,000 would produce a net income of around $15,000. After subtracting a charge for capital invested, the amount remaining for the farmer's labor and management would be around $4,500.

SMALL FARMS AND RURAL POVERTY

There are about a million farm families, two-fifths of all farmers, who have incomes near or below the poverty line. These families produce and sell less than 6 percent of all farm products. Sales per farm are less than $6,000 per year, and net income is no more than half of the sales. About 350,000 of the farms have sales of less than $2,500, and the families have less than $1,500 of farm income.

Most of these farms are too small to produce satisfactory incomes for their operators, though the families may be better off on the farm than if they were in a city slum. The farms are too small to make profitable use of modern farm machinery and equipment, and too small to provide profitable full-time employment for even one man.

Some of these families receive some public aid or other income from off the farm, but others do not.

In addition to these million farm families near the poverty line, there are perhaps 500,000 low-income families who are listed as part-time farmers and some as part-retired farmers.

Government price support programs do not help the small farms much, because they have too little to sell.

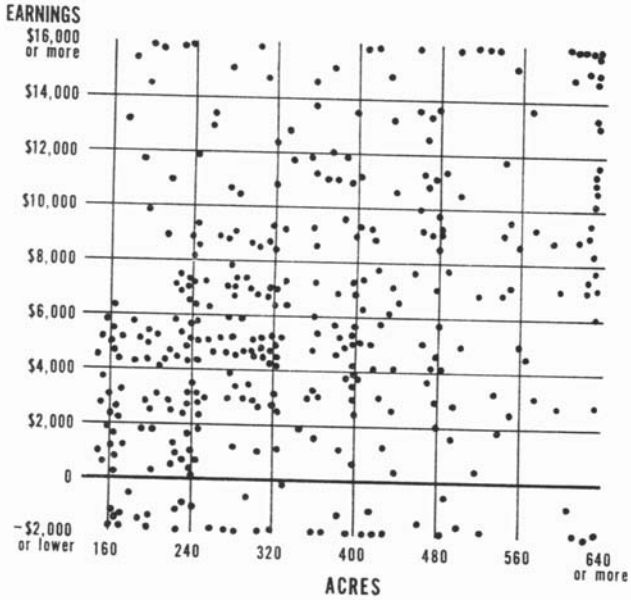
FARMERS' INCOMES DIFFER GREATLY

Farmers' incomes, like the earnings of other self-employed men, differ greatly. Some farmers earn $15,000 and more, while others with apparently similar opportunities make little or nothing. Over a period of years the differences reflect managerial ability, though in a single year a farmer's income often is influenced by weather conditions or unusual price fluctuations.

The chart on the next page shows the wide range of farmers' incomes. Each dot represents one tenant farmer in central Illinois in 1967, and shows the number of acres in his farm and his earnings. (Earnings, also called labor and management earnings, is the amount of income that is left for the farmer's work after subtracting a reasonable amount for his investment.) Of these 351 farmers:

13 percent had earnings of $12,000 or more.
32 percent had earnings of $6,000 to $12,000.
44 percent had earnings of zero to $6,000.
11 percent had a loss.

The chart also shows that earnings and size of farm are not always closely related. Some large farms had low returns; some small ones had high returns.



Each dot on this chart shows one central Illinois farm with the number of acres and tenant's earnings for that farm in 1967. Both earnings and size of farms differed more than is indicated by the distribution of the dots since earnings and acreages that exceeded the limits of the chart are shown at the limits. The earnings shown are "labor and management earnings," the income left after subtracting a reasonable amount for return on investment. (Data are from Farm Business Farm Management Association records.)

FARMING IS A FAMILY BUSINESS

Farming is still mostly a family business. That is, one family provides the management and most of the labor required on the farm. In 1967 farm operators and members of their families comprised three-fourths of the labor force. Only one-fourth of the labor was hired. This proportion has changed very little in recent years.

On many farms a father and son, two brothers, or some similar combination of relatives works together. Most farms, however, are not large enough to provide profitable full-time employment for two men.

Families of farmers now live much the same as other families. Most farm houses are not new — because with the farm population declining there has been little need for additional housing. But most of them have modern plumbing, heating, kitchens, and appliances. Farm families buy their food at the supermarket and their clothing and furniture at the shopping center. The children attend a consolidated school on the edge of town. Farm families attend the same movie theaters and watch the same television programs as city families.

The percentage of farm youth attending college is less than average. The proportion of wives employed outside the home is also below average. Farmers typically accumulate larger estates than their brothers who leave the farm.

GOVERNMENT AND AGRICULTURE

Government and farmers work together in many ways to bring wholesome and abundant supplies of food to consumers at low cost. Federal and state governments cooperate in extensive research programs to discover methods of increasing output and reducing costs. They also cooperate with local agencies to encourage farmers to adopt the more efficient methods. Inspection services assure that consumers get clean, healthful meats, milk, and other fresh and processed foods.

Farmers' ability to produce some crops exceeds current market demands at prices that would bring farmers returns comparable to those earned by other members of society. The government has provided programs by which farmers can divert unneeded cropland to soil-conserving uses.

The total of all governmental expenditures for research, education, consumer protection, soil and water conservation, and the stabilization of output is about $8 billion annually, or 1 percent of our gross national product.

About three-fourths of this amount is provided by the federal government and one-fourth by the states. About one-half is used directly for farm price and income support, one-fourth for the distribution of surplus foods to the needy in the United States and foreign lands, and a fourth for research, education, and regulatory services.

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